

**LITERACY COUNCIL
OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana**

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTNANT'S REPORT
Year Ended December 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/25/10

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana

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INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Literacy Council of Southwest Louisiana, Inc.
Lake Charles, Louisiana

I have reviewed the accompanying statement of financial position of Literacy Council of Southwest Louisiana, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Literacy Council of Southwest Louisiana, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on our review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Steven M. Derouen, CPA

Lake Charles, Louisiana
July 8, 2010

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Literacy Council of Southwest Louisiana, Inc.
Lake Charles, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Literacy Council of Southwest Louisiana, Inc., the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about Literacy Council of Southwest Louisiana, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2009, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Literacy Council of Southwest Louisiana, Inc.'s Federal award expenditures for all Federal programs for the fiscal year follow:

Federal Grant Name	Grant Year	CFDA No.	Amount
Dept. of Education Basic	09/30/09/10	84.002	79,356
Dept. of Education Supplement	09/30/09/10	84.002A	27,622
TANF STEP Program	06/30/09/10	93.558B	10,564
Dept. of Education One Stop Centers	09/30/09/10	84.002A	8,610
Total Expenditures			126,152

2. For each Federal, state, and local award, I randomly selected 6 disbursements from each award administered during the period under examination, provided that no more than 24 disbursements would be selected.
3. For the items selected in procedure 2, I traced the 24 disbursements to supporting documentation as to proper amount and payee.

I examined supporting documentation for each of the 24 selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in procedure 2, I determined if the 24 disbursements were properly coded to the correct fund and general ledger account.

All of the payments were properly coded to the correct fund and general ledger account.

5. For the items selected in procedure 2, I determined whether the 24 disbursements received approval from proper authorities.

Inspection of documentation supporting each of the 24 selected disbursements indicated approvals from the executive director.

6. For the items selected in procedure 2: For federal awards, I determined whether the disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, I determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed; eligibility; reporting

All applicable disbursements selected complied with above requirements.

7. For the programs selected for testing in item (2) that had been closed out during the period under review, I compared the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

None of the disbursements selected included programs that were closed out during the period of our review.

Meetings

8. I examined evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Other

According to Louisiana State Audit guidelines, the review and attestation report was due to the Legislative Auditors office by June 30, 2010. The report was submitted July 9, 2010.

Steven M. DeRosa, CPA

July 8, 2010

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 159,542
Inventory	52,575
Unconditional promises to give	50,998
Grants receivable	40,608
Total current assets	<u>303,723</u>

PROPERTY AND EQUIPMENT

Equipment	120,685
Furniture	2,617
Leasehold improvements	4,051
	<u>127,353</u>
Less accumulated depreciation	<u>(121,060)</u>
	6,293
Land	5,788
Net property and equipment	<u>12,081</u>
Total assets	<u><u>\$ 315,804</u></u>

The accompanying notes are an integral part of these statements.
See accountants report.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 2,561
Accrued expenses	<u>6,262</u>
Total current liabilities	8,823

LONG TERM LIABILITIES

Total liabilities	<u>-</u> <u>8,823</u>
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NET ASSETS

Unrestricted	
Board designated	97,823
Net investment in property and equipment	12,081
Undesignated	<u>146,079</u>
Total unrestricted net assets	<u>255,983</u>

Temporarily restricted	<u>50,998</u>
Total net assets	<u>306,981</u>

Total liabilities and net assets	<u>\$ 315,804</u>
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The accompanying notes are an integral part of these statements.
See Accountants report.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT			
United Way of Southwest Louisiana	\$ -	\$ 50,998	\$ 50,998
Federal and State Grants	250,540		250,540
Contributions and Private Grants	43,722		43,722
Interest income	906		906
In-kind donations	20,400		20,400
Program fees	12,581		12,581
Fund raising	47,623		47,623
Total revenues and gains	375,772	50,998	426,770
Net assets released from restrictions	81,205	(81,205)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	456,977	(30,207)	426,770
EXPENSES			
Program services	327,193	-	327,193
Management and general	107,618	-	107,618
Fund raising	18,131	-	18,131
TOTAL EXPENSES	452,942	-	452,942
CHANGE IN NET ASSETS	4,035	(30,207)	(26,172)
NET ASSETS AT BEGINNING OF YEAR	251,948	81,205	333,153
NET ASSETS AT END OF YEAR	\$ 255,983	\$ 50,998	\$ 306,981

The accompanying notes are an integral part of these statements.
See Accountants Report.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2009

Cash Flows From Operating Activities	
Cash received from Federal and State Grants	\$ 199,332
Cash received from Private Grants, Contracts, and Contributions	180,586
Cash paid to Suppliers and Employees	<u>(430,644)</u>
Net Cash Provided (Used) By Operating Activities	<u>(50,726)</u>
 Cash Flows From Investing Activities	
Interest received	<u>906</u>
Net Cash Provided (Used) By Investing Activities	<u>906</u>
 Net Increase (Decrease) In Cash	 (49,820)
 Cash - Beginning of Year	 <u>209,362</u>
 Cash - End of Year	 <u><u>\$ 159,542</u></u>
 Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ (26,172)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	8,324
Interest income	(906)
(Increase) decrease in operating assets:	
Grants and other receivable	3,184
Prepaid expenses	85
Increase (decrease) in operating liabilities:	
Accounts payable	(936)
Accrued expense	(5,575)
Deferred revenue	<u>(28,730)</u>
Total Adjustments	<u>(24,554)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (50,726)</u></u>

The accompanying notes are an integral part of these statements.
See accountants report.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

		Supporting Services		
	Program	Management	Fund	
	Services	and General	Raising	Total
Advertising and marketing	\$ 208	\$ 74	\$ 8	\$ 289
Book Purchases	4,680	-	-	4,680
Computer expenses/technology	2,293	817	83	3,193
Depreciation	5,977	2,129	217	8,324
Dues and fees	2,426	864	88	3,379
Other purchased services	7,839	2,792	285	10,916
Insurance - health	10,156	3,618	369	14,143
Insurance - other	13,117	4,672	477	18,266
Miscellaneous	2,368	844	86	3,298
Office expense	27,587	9,827	1,003	38,417
Office occupancy	10,366	3,693	377	14,436
Payroll taxes	14,259	5,079	518	19,856
Postage	1,097	391	40	1,527
Printing and publications	3,142	1,119	114	4,375
Professional fees	7,371	2,626	268	10,264
Salaries and wages	186,778	66,534	6,789	260,100
Volunteer tutors	20,400	-	-	20,400
Telephone	4,849	1,727	176	6,752
Travel	1,809	644	66	2,519
Telethon expenses	-	-	7,150	7,150
Training and conferences	473	168	17	658
Total expenses	\$ 327,193	\$ 107,618	\$ 18,131	\$ 452,942

The accompanying notes are an integral part of these statements.
See Accountants Report.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The Literacy Council of Southwest Louisiana, Inc. was organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing tutoring to the illiterate. The Council operates under a Board of Directors, which appoints an Executive Director and otherwise controls and guides the Council.

The United Way of Southwest Louisiana, Inc., federal and state grants, and private contributions provided the majority of the funding for the Council's 2009 programs.

The Council follows the standards of accounting and financial reporting for voluntary health and welfare agencies prescribed by the American Institute of Certified Public Accountants. The following significant accounting policies are in accordance with these standards.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial Statement Presentation:

The Council has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for Profit Organizations*. Under SFAS No. 117, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets. As permitted by the statement, the Council does not use fund accounting.

Unrestricted net assets are not subject to donor-imposed stipulations and are composed of the following:

Undesignated: Net assets that are available for the various programs and administration of the Council.

Board Designated: Net assets that are established by the Board and represent unrestricted funds that have been set aside for future operations.

Net Investment in Property and Equipment: Net assets that represent amounts expended for property and equipment used in the operations of the Council, net of amounts borrowed, if any.

Continued

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation:

Temporarily restricted net assets consist of donor-restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose or for a particular period are recognized as revenue when the promise to give is received and such amounts are reported as temporarily restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are those net assets subject to donor-imposed stipulations that the Council maintains them permanently. Generally, the donors of these assets permit the Council to use all or part of the income earned on any related investments for general or specific purposes.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions:

The council has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income taxes:

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Currently, the Council engages in no activities that would be taxed as unrelated business income.

Continued

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services:

SFAS No. 116 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance a nonfinancial asset or (b) be specialized skills, provided by entities or persons possessing those skills, that would be purchased if not donated. During the year, the value of contributed services meeting the requirements for recognition in the financial statements was \$20,400.

Advertising Cost:

Advertising costs are charged to operations when incurred. Total advertising cost for the year ended December 21, 2009 amounted to \$150. This amount did not include any in-kind contributions for the year.

Property and Equipment:

It is the Council's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Cash and Cash Equivalents:

The Council considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Continued

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

Grants, contracts, and contributions receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At December 31, 2009, the Council considers all accounts receivable to be fully collectible; accordingly no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Functional Expenses:

Expenses have been classified by specific functions where ascertainable. Those expenses that cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

Deferred Revenue:

Grant proceeds that are to be used during the following fiscal year are classified as deferred revenue.

NOTE B – ACCOUNTS RECEIVABLE

As of December 31, 2009, accounts receivable from grants and contracts was
Composed of:

U.S. Department of Education	
Passthrough Louisiana Department of Education	
Federal Basic	\$18,197
Federal Supplement	2,723
Louisiana Department of Education	
State Corrections	431
EL/ Civics	5,836
Step/One Stop	5,625
Other	<u>7,796</u>
	<u>\$40,608</u>

All receivables are expected to be received within less than one year of the financial statement date.

Continued

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE C – INVENTORY

Inventory represents books maintained by the Council for use by program participants. Inventory is reported at cost or the estimated fair market values at the date they are received, if donated.

NOTE D – PROMISES TO GIVE

During the year ended December 31, 2009, the Council received its 2010 United Way allocation of \$50,998. This allocation is temporarily restricted at time of receipt and is properly reflected in the accompanying statement of activities as an increase in temporarily restricted net assets. Uncollectible allocations are expected to be insignificant. All of the allocation is expected to be received in less than one year.

NOTE E – PROPERTY AND EQUIPMENT

As of December 31, 2009, property and equipment consisted of:

Equipment	\$120,685
Furniture	2,617
Leasehold Improvements	4,051
Land	<u>5,788</u>
Total Fixed Assets	133,141
Less Accumulated Depreciation	<u>121,060</u>
Net Fixed Assets	<u>\$ 12,081</u>

Property and equipment acquisitions are capitalized at cost, if purchased, or at estimated fair market value if donated. Depreciation expense for the years ended December 31, 2009 was \$8,324.

NOTE F – SUBSEQUENT EVENTS

In May 2009, the Financial Accounting Standards Board issued Statement 165, Subsequent Events, to incorporate the accounting and disclosure requirements for subsequent events into U. S. generally accepted accounting principles. Statement 165 introduces new terminology, defines a date through which management must evaluate subsequent events or transactions occurring after the balance sheet date. *The Council adopted Statement 165 as of June 30, 2009, which is the required effective date.*

The Council evaluated its December 31, 2009 financial statements for subsequent events through July 8, 2010, the date the financial statements were available to be issued. The Council is not aware of any subsequent events which would require recognition or disclosure in the

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009, temporarily restricted net assets consisted the United Way 2010 allocation.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE G – TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

United Way allocation increase	\$ 25,662
Depreciation expense	<u>4,545</u>
Net	<u>\$ 30,207</u>
 Total Net Assets Released	 <u>\$ 30,207</u>

NOTE H – OPERATING LEASE COMMITMENT

As of October 1, 1997, the Council entered into a five-year non-cancelable operating lease for its office facility requiring rent of \$821 per month. Over the lease term, monthly payments were adjusted to reflect changes in the space. Monthly payments during the year ended December 31, 2009 approximated \$1,122 per month.

As of December 31, 2009, there are no remaining operating lease payments under the non-cancelable operating lease. *The lease expired on October 1, 2002. The Council continues to reside in its current location and rents the space on a month-to-month basis, with a 30-day notice required upon cancellation.*

NOTE I – FUNCTIONAL ALLOCATION OF EXPENSES

Indirect expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

The allocation of indirect cost was based on the following 2009 percentages:

Program	71.81%
Management and General	25.58%
Fund Raising	2.61%

NOTE J – CONCENTRATIONS

The Council maintains cash at First Federal Bank and Capital One. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. Balances were not in excess of FDIC insured limits at December 31, 2009.

For the years ended December 31, 2009, the Council received 58% of its funding from federal and state grants. The operations of the Council are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies. Such administrative directives, rules, and regulations are subject to change by legislative acts or administrative changes. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

June 30, 2010

Steve DeReoun, CPA
Certified Public Accountant
P.O. Box 4265
Lake Charles, LA 70606

In connection with your review of the Literacy Council of Southwest Louisiana, Inc.'s financial statements from January 1, 2009, through December 31, 2009, for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representation).

Federal, State, and Local Awards

We have detailed for you the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

No []

Yes [☒]

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

No []

Yes [☒]

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

No []

Yes [☒]

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

No []

Yes [☒]

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:1 through 42:13 (the open meetings law).

No ☐

Yes ☒

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

No ☐

Yes ☒

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

No ☒

Yes ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Secretary _____ Date

Treasurer _____ Date

President _____ Date